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SUBJECT: CONSTRUCTIVE GOOD WILL: U/S BURNS' JULY 10-11
VISIT TO URUGUAY

REF: MONTEVIDEO 00611

Classified By: Ambassador Frank E. Baxter
for reasons 1.4 (B) and (D)

1. (C) Summary: Under Secretary of State for Political Affairs R. Nicholas Burns, densely-packed visit to Uruguay substantially advanced our bilateral relations and key U.S. foreign policy objectives. Trade, the fight against poverty, UN peacekeeping operations (PKO), MERCOSUR, Venezuela, WTO, energy and scientific and educational cooperation were some the main themes discussed. U/S Burns highlighted the July 9, 2007 White House Conference on the Americas as a new initiative designed to further involve the private sector, civil society and NGOs in Latin America's development. On trade and investment, U/S Burns told President Vazquez that the U.S. remained committed to taking the commercial relationship as far as the political constraints on both sides allowed. Only four months after the historic POTUS visit, and on the eve of U.S. Secretary of Treasury Henry Paulson's July 11-12 visit to Montevideo (septel), the U/S Burns visit was widely interpreted as a follow-up to President Bush's promise for continued close engagement with Uruguay. U/S Burns' visit also reinforced the message that the U.S. favors good relations with moderate governments in the region that respect democracy, the rule of law and human rights, regardless of their political label. The atmosphere during the visit was warm and friendly, as reflected in the overwhelmingly favorable media reaction that followed. Several senior GOU officials have told us that the personal dialogue with our high-level U.S. officials mattered at least as much to them as did some of the specific issues discussed. The Ambassador, S/P Member William McIlhenny and Special Assistant Heide Bronke participated in all meetings, along with Embassy Poloffs. Below are highlights of the various meetings. End Summary.

Meeting with the Foreign Minister

¶2. (SBU) Shortly after arrival in Montevideo on the evening of July 10, U/S Burns and his delegation met with Foreign Minister Reinaldo Gargano at the MFA to discuss bilateral relations and regional and global issues. The MFA's team included Deputy Foreign Minister Maria "Belela" Herrera, Director General for the Secretariat Jose Luis Cancela, Director General for Political Affairs Alvaro Gallardo, Director General for Integration and Mercosur Carlos Amorin, Director of Protocol Francisco Purificatti and Chief of the Minister's Cabinet Frederico Gomensoro.

¶3. (C) FM Gargano somewhat contentiously opened the meeting by saying, "You are the owners of the agenda, it's your meeting." U/S Burns responded by saying that he was traveling in a follow-up to President Bush's visit to region, had just come from productive meetings in Santiago where President Bachelet asked if we could do more on the war on drugs, was headed towards Brazil and that U.S. Secretary of Treasury Henry Paulson would be arriving in Uruguay the next day. He said his top priorities included trade, commerce and market access issues and that he had a good impression of how the Trade and Investment Framework agreement (TIFA) was working with Uruguay, and that he had just spoken to USTR Susan Schwab on the telephone about such issues.

¶4. (C) U/S Burns then applauded Uruguay's outstanding commitment to international PKO, particularly in Haiti where it is fielding 1,140 troops and one policeman, and to the Democratic Republic of Congo where it also maintains a sizable contingent in MINOC. He said that Uruguay's highest-per-capita PKO contribution "was a model for other countries" to follow and that he hoped to work together in October to achieve a MINUSTAH mandate renewal, adding that

"the international community needs to maintain a long-term commitment to Haiti's democratic and economic development." U/S Burns also appealed to the international community to contribute more to UNIFIL in Lebanon, the UN/AU hybrid operation in Darfur and other emerging African PKO needs in places such as Somalia, which he characterized as undergoing "extraordinary disintegration." U/S Burns concluded by saying that he was happy to be in Uruguay and to discuss any global or regional issue.

¶5. (C) FM Gargano agreed and indicated that he had on the table in front of him a \$20 million proposal for a five-year democracy-building project in Haiti that was submitted to the U.S. State Department for possible funding. (Note: The Haiti project proposal was not discussed in any detail at the meeting. End Note.) He said that although Haiti was still the poorest country in the hemisphere, he had the impression that it was a "little bit better off than before." Its main challenges remained to guarantee peace and revamp its tattered economy. He qualified that Uruguay's Parliament was becoming concerned about an "indefinite stay" in Haiti and the need for greater economic assistance to that country. FM Gargano termed the situation in Darfur as "genocide" and said that Uruguay had provided some troops in Somalia.

¶6. (C) Turning to other issues, the Foreign Minister said that he was glad that U/S Burns had spoken to Chilean President Michelle Bachelet, whom he termed "an old friend." He said half of the 400 million people in South America are poor, despite having democratically-elected governments and bountiful natural resources. He then rhetorically asked, "How can developed countries in the EU, Japan and the U.S. talk about free trade at the WTO when so many quotas and subsidies by are in place?" He also stated that "Uruguay had the best long grain rice in the world, but it is double the price of U.S. rice." FM Gargano went on to say that that Uruguay has only a 17 percent import tariff with zero percent for capital goods. He said, "Until now, we haven't protected ourselves, but we will do so if necessary," adding that he was not a "maximalist" who was asking for "seven percent" or the elimination of quotas, but that steps should be taken so that Doha will not fail "lest we all lose."

¶7. (C) U/S Burns agreed on the need to make progress on the

Doha Round of WTO talks, where he criticized Brazil and India for their lack of flexibility. He cited Estonia, Ireland, China and India as nations that have made great progress by employing knowledge-based industries and by investing in their people. He also highlighted the July 9, 2007 White House Conference on the Americas as a new U.S. initiative designed to further involve the private sector, civil society and NGOs in Latin America's development. FM Gargano then turned to Bolivia where he said that "decades of humiliation and indignation" of the indigenous people would require time to resolve the situation.

Dinner with Senior Officials

18. (SBU) The MFA meeting was followed by a cocktail and formal dinner in honor of U/S Burns at the Ambassador's residence with senior Uruguayan officials attending. The guests included former (Colorado Party) President Jorge Batlle, Foreign Minister Reinaldo Gargano, Economy and Finance Minister Danilo Astori, Industry and Energy Minister Jorge Lepra, Education Minister (and Frente Amplio President) Jorge Brovetto, Presidential Chief of Staff Gonzalo Fernandez, Deputy Foreign Under Secretary Maria "Belela" Herrera, and National Party (Blanco) Senators Jorge Larranaga and Sergio Abreu. As U/S Burns surveyed the guests on topics of most importance to each, the focus quickly moved to TIFA and the GOU's eagerness for broader market access. Minister Astori indicated a need for Uruguay to better access

international markets and highlighted current problems with MERCOSUR. FM Gargano reiterated the problems to free trade posed by US agriculture subsidies. Jorge Larranaga inquired about the likelihood that the FTAs with Peru and Colombia would be approved. Senator Abreu called for the U.S. to be more supportive of Uruguay on the pulp mill dispute. Minister Brovetto commented on the different leadership styles in the region, and that Uruguay felt closer to Chile, but that factions within the Frente were attracted a different vision of the future. During the discussion, U/S Burns responded specifically to FM Gargano's earlier statement that, half of the 400 million people in South America are poor, indicating that that U.S. economic development in the region was intended to help bring that half out of poverty.

Donation Event for English at CODICEN

19. (U) After a working breakfast the next day (July 11) with the Ambassador and an abbreviated Country Team, U/S Burns and A/S Shannon visited the Consejo de Educacion Primaria, an organization implementing pilot English language programs with Embassy support. In September 2006, the Embassy signed a historic agreement with Uruguayan educational authorities to provide funds to support a pilot English language teaching program. On behalf of the USG, U/S Burns presented a note signaling our support for the program with an additional donation of USD 120,000, which will fund an additional 16 schools through April 2008. This brings the total number of schools throughout Uruguay participating in the program to 70, serving 20,000 students. A summary of this event and photos are on the unclassified system at:

http://uruguay.usembassy.gov/usaweb/2007/07-3_90EN.shtml

Meeting with President Tabare Vazquez

10. (C) The Vazquez meeting, held at the Suarez Residence, focused largely on educational exchange, trade, energy, PKO and MERCOSUR issues. Vazquez urged the U.S. to "relaunch its relationship with Latin America without forgetting the past." He expressed his desire for more scientific and technical exchanges with the U.S. He also indicated that the "TIFA is very positive, trade is a big issue, as is energy." On energy, Vazquez emphasized the virtues of Uruguay as an ideal location for biofuels production, and dismissed concerns about the effect of increased production on price of food commodities. He also expressed support for

increased commercial forest planting, pointing out that current forest planting levels of 4 percent are much less than the 10 percent allowed by Uruguayan law. Vazquez then turned the conversation to nuclear energy, drawing on his background as a doctor and positive experience working with radioactive isotopes. He indicated that Uruguay's interest in nuclear energy was for "peaceful purposes," and that the world needed nuclear power "because it is environmentally better than other sources."

¶11. (C) U/S Burns expressed appreciation for Uruguay's international peacekeeping efforts, calling Uruguay, "a role model for the rest of the world." He urged Vazquez to expand Uruguay's international PKO presence. He underscored the value of student exchanges and referred to the donation he made at CODICEN earlier in the morning. He also cited the benefits of enhanced military cooperation and called for greater cooperation and joint training, but promised to be cognizant of Uruguay's internal sensitivities. Vazquez responded by stating that, "Uruguay will not abandon Haiti, but my Army commander says that we are at our limit of providing troops." He added that PKO had a positive practical side for Uruguay since it provided international

recognition, support for pacific dialogue, and excellent training opportunities. Vazquez recalled that he had visited the U.S. years ago and said "that Uruguay is so small you can hardly find it on the map, but that each country has its own history of democracy and points of view on the pacific settlements of disputes and respect for the United Nations." Vazquez then said Uruguay had found "points of consensus" with the U.S. and was ready to work with the U.S. Burns responded that President Bush remained interested in furthering market access, noting that blueberries, other fruits, and boneless lamb exports to the U.S. were increasingly becoming a reality. U/S Burns indicated that the Administration considered the FTAs a vital part of its commitment to Latin America for growth, jobs and trade, but that the FTAs for Peru, Panama and Colombia faced some opposition in the U.S. Congress. Vazquez responded that the TIFA was working and that Uruguay was willing to import turkeys, though its market is small.

¶12. (C) U/S Burns turned to the issue of MERCOSUR, and asked Vazquez what he thought about Chavez, in light of the fact that Vazquez is the new pro-tempore president of MERCOSUR. Vazquez responded that for a small country like Uruguay, it would be "unthinkable not be part of a bloc like MERCOSUR," citing both trade reasons and historical ties. However, he stated that Uruguay was not satisfied with MERCOSUR at the moment, and in fact he wanted a "stronger and better MERCOSUR" that was more open and which would allow the smaller members to sign FTAs with the U.S. He acknowledged the difficulties MERCOSUR had with this issue, quoting Brazilian FM Amorim who said that a U.S.-Uruguayan FTA would, "damage the heart of MERCOSUR." However, Vazquez disputed Amorim's claim, highlighting that Uruguay signed an FTA three years ago with Mexico. Vazquez also indicated that as pro-tempore president, he intended to push for the MERCOSUR/EU FTA talks to be restarted, as well as the 4 1 talks with the U.S.

¶13. (C) On Venezuela, Vazquez stated emphatically that Venezuela must comply with all of the requirements of MERCOSUR, "including its democratic clause." He continued by saying that in a bilateral fashion, Chavez is very generous with petroleum, investing in small businesses and donations to hospitals. Uruguay in return has transferred technology on cattle and milk, boosting their milk production per cow from 5 liters/day to 25-30 liters/day. Vazquez indicated that Uruguay was worried about Chavez's confrontational approach as Uruguay had a more "measured and respectful" tradition of dealing with other countries. For instance, in response to Chavez's activities in Buenos Aires during POTUS' visit to Uruguay, Vazquez said that, "We told him at Isla Margarita, 'Not to do it again.'" U/S Burns reemphasized the commitment of the United States to "intensive engagement" in the region. He further highlighted

the dangers of Iran's nuclear ambitions and implied that Uruguay could play a role in dissuading them. Vazquez urged the U.S. to not forget about Uruguay and to remember that he only had two and half years left in office. The Presidential website later noted that the meeting with Vazquez "was a step of significant importance in strengthening trade ties between the two countries and promoting concrete expressions of such ties."

Meeting with Economy Minister Astori

¶14. (C) Immediately following the meeting with Vazquez, U/S Burns met with Minister Astori at the Ministry of Economy and Finance, to discuss trade and investment issues. Astori was also eager to discuss international politics, including Venezuela and Argentina. The Minister began in English, saying that he would soon see Brazilian FM Amorim to discuss Doha round issues and that he looked forward to the visit by

U.S. Secretary of Treasury Henry Paulson. Soon after, Astori switched to Spanish, "in order to be precise." He began by citing a litany of "big problems with MERCOSUR," including disrespect of the Common External Tariff (CET), unfair trade policies, and "asymmetries" for smaller countries non-tariff restrictions. He indicated that Uruguay would ask for more flexibility from MERCOSUR for it to enter into Free Trade Agreements, both multilaterally and bilaterally, as it was important for Uruguay to advance in both. He said that the TIFA was providing good results and that he looked forward to working toward greater access to U.S. markets, and hopefully eventually leading to conclude an FTA and achieve true market access. He said that Uruguay wanted to see progress on the Doha round of WTO negotiations. He characterized trade prospects with India as promising and agreed with the Ambassador that Indian firms such as TATA were a good example of India outsourcing to countries such as Uruguay. Astori said that Uruguay needed to diversify its supply of energy. He agreed with U/S Burns that energy was perhaps the number one issue in the world today, citing a variety of global challenges that impact on the worldwide availability of energy sources, including climate change, WMD issues and international conflicts in oil producing areas.

¶15. (C) On Argentina, Astori said that Uruguay was "in one of the worse moments in our history with it," referring to the serious pulp mill dispute. He said that the Argentines have "a complicated government and President." U/S Burns indicated that the U.S. was pleased to support the IFC loan vote for the pulp mills, but acknowledged that the U.S. would maintain a low profile in the dispute. Astori said that regionally there are two visions of economic development: those of Venezuela, Ecuador and Bolivia, "that we do not share;" and those of Chile and Brazil, "which we do share," which included good relations with the U.S. He described Uruguay's type of "left" as seeking to support social stability and fight poverty. On Venezuela, Astori said that Uruguay does not agree with Chavez's confrontational attitude, as he "seems to represent a failed past," and is generating more regional isolation. (Note: A few days later Astori was quoted in the press for his criticism of Venezuela in another forum, resulting in a sharp rebuke from FM Gargano.) When the meeting concluded, U/S Burns said he hoped to see Astori when he was in Washington.

Press Conference

¶16. (C) The morning meetings were followed by a full press conference at the Sheraton Hotel with coverage provided by both national and international media correspondents who engaged U/S Burns on variety of regional and global topics. Transcripts and photographs of this press conference can be found on the unclassified system at:

http://uruguay.usembassy.gov/usaweb/2007/07-3_89EN.shtml

AMCHAM event

¶17. (U) The press conference was followed by a public event at the same location, hosted by the Montevideo Chamber of Commerce and attended by acting AmCham President Horacio Hughes. During the lunch, U/S Burns made a brief speech about U.S. foreign policy toward Uruguay and across Latin America, and then took questions from the audience. Uruguay's major daily "El Pais" later reported that although U.S. and Uruguayan Government officials in attendance at the Chamber of Commerce Uruguay-U.S. luncheon "lavished each other with gestures of affection and friendship, Burns sent his messages between smiles: his country wants to tighten political and economic ties with Uruguay and the region in general, but strongly maintains its cold attitude and frank rejection of the 'extremes' of Venezuela and Cuba."

Following the luncheon, Economy Minister Astori confirmed that Uruguay's strategy is to work "within Mercosur," with the hope that its demands for "flexibility" will be taken into consideration now that it holds the Mercosur pro-tempore presidency. Astori also expressed hopes for progress at the multilateral level at the Doha Round as well as at the bilateral level, seeking to improve trade relations and investments by using foreign policy as a "essential tool."

¶18. (U) This message was cleared by U/S Burns. Additional information and photographs of the U/S Burns visit can be found on Embassy Montevideo's unclassified intranet site at:

<http://uruguay.usembassy.gov>
Baxter